

Message Text

CONFIDENTIAL

PAGE 01 DOHA 01384 170927Z
ACTION EB-07

INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10 IO-13
FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00
DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 OES-06 SP-02 SS-15 STR-04 TRSE-00
ACDA-07 PA-01 PRS-01 NSCE-00 SSO-00 INRE-00 /140 W
----- 041262 /12

O 170840Z DEC 76
FM AMEMBASSY DOHA
TO SECSTATE WASHDC NIACT IMMEDIATE 2117
INFO AMEMBASSY AZU DHABI IMMEDIATE
AMEMBASSY ALGIERS IMMEDIATE

USINT BAGHDAD IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY CARACAS IMMEDIATE
AMEMBASSY JAKARTA IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
AMEMBASSY LAGOS IMMEDIATE
AMEMBASSY LIBREVILLE IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY MANAMA IMMEDIATE
AMEMBASSY MUSCAT IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
RUESQIWYAMEMBASSY QUITO IMMEDIATE 0046
AMEMBASSY ROME IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY TRIPOLI IMMEDIATE
AMEMBASSY VIENNA IMMEDIATE
USIA WASHDC IMMEDIATE

C O N F I D E N T I A L DOHA 1384

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 DOHA 01384 170927Z

E. O. 116528 GDS
TAGS: ENRG OPEC QA
SUBJ: OPEC MINISTERIAL MEETING: GENERAL THOUGHTS ON TWO TIER
PRICE SYSTEM

1. AS IS BEING REPORTED BY NEWS SERVICES FROM DOHA, VENEZUELAN

OIL MINISTER

HERNANDEZ-ACOSTA TOLD A NUMBER OF JOURNALISTS
DURING THE EARLY MEETING HOURS OF DEC 17 THAT "AGREEMENT"

HAD BEEN REACHED BY WHICH SAUDI ARABIA AND THE UAE WOULD INCREASE
THE PRICE OF THEIR OIL BY FIVE PERCENT, EFFECTIVE JAN 21, WHILE
THE OTHER ELEVEN OPEC MEMBERS WOULD INCREASE THEIR PRICES BY
TEN PERCENT. MOROVER, HERNANDEZ-ACOSTA ALSO REPORTEDLY SAID
THAT THE OTHER ELEVEN OPEC MEMBERS WOULD IMPLEMENT AN ADDITIONAL
FIVE PERCENT INCREASE ON JULY 1, 1977.

2. INITIALLY, EMBASSY HAD STRONG RESERVATITNS ABOUT VERACITY
OF REPORT. HOWEVER, WE HAVE BEEN ASSURED BY NUMEROUS PRESS
SOURCES THAT HERNANDEZ-ACOSTA DID MAKE THE STATEMENTS ATTRIBUTED
TO HIM AND THAT THE VENEZUELAN GAVE THE SAME STORY, ON THE

RECORD, TO A NUMBER OF JOURNALISTS. TO OUR KNOWLEDGE, NO OTHER
OPEC DELEGATE HAS SUBSTANTIATED REPORT OF HERNANDEZ-ACOSTA,
AND CONTINUED HIGHLY RESTRICTED ACCESS TO CONFEREES PRECLUDES
OUR OBTAINING FURTHER CONFIRMATION.

3. IMMEDIATE QUESTION THAT COMES TO MIND WHEN FACED WITH THE
PROSPECT OF A TWO TIER PRICE SYSTEM IS WHETHER OR BY HOW MUCH
SAUDIS INTEND TO RESTRICT PRODUCTION. WE HAVE BEEN UNABLE TO
DETERMINE IF HERNANDEZ-ACOSTA WAS ASKED ABOUT THIS SUBJECT,
BUT PRESS SOURCES ASSURE US THAT VENEZUELAN MADE NO MENTION OF
TOPIC IN HIS REMAKRS. (LOCAL MEDIA HAVE CARRIED REPORT THAT
CONFEREES HAVE "ACCEPTED" IRAQI WORKING PAPER ON PRODUCTION
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 DOHA 01384 170927Z

CONTROLS.) WITH PRODUCTIVE IAPAIITY OF APPROXIMATELY 25 MILLION
BPD IN THE OTHER ELEVEN OPEC MEMBER COUNTRIES, IT SEEMS LIKELY
THAT COMPETITION WILL REAR ITS HEAD UNLESS SAUDI ARABIA AND UAE
VOLUNTARILY RESTRICT PRODUCTION TO SUCH A DEGREE THAT THE OTHER
ELEVEN ARE ABLE TO EXPORT AT A LEVEL OF APPROXIMATELY 20
MILLION BPE. IN THE ABSENCE OF CONSIDERABLE RESTRAINT ON THE PART
OF SAUDI ARABIA AND UAE, COMPETITION WILL RAISE ITS HEAD AND PRICES
OF THE OTHER
ELEVEN WILL FALL; AND SAUDIS WILL HAVE DICTATED THE
PRICE LEVEL.

4. HOWEVER, IF SAUDI ARABIA AND UAE SUFFICIENTLY LIMIT PRODUCTION
TO ENABLE THE OTHER OPEC MEMBERS TO SET THE PRICE OF THE MARGINAL
BARREL AND THEREBY MAKE POSSIBLE A TWO TIER PRICE SYSTEM,
A QUESTION IS THEN RAISED ABOUT THE ECONOMIC RENT (I.E. WINDFALL
PROFITS) THAT WILL ACCRUE TO PURCHASERS TF SAUDI AND UAE OIL.
IN YAMANI'S INTERVIEW LAST MONTH WITH "BUSINESS WEEK", HE
EXPRESSED SOME CONCERN ABOUT THE ECONOMIC RENT CAPTURED BY THE

OIL COMPANIES WHEN THE DEFACTO PRICE OF OIL IS HIGHER THAN THE OFFICIAL OPEC SELLING PRICE. HOWEVER, THE INSTITUTION OF A TWO TIER PRICE SYSTEM WOULD SEEM TO ASSURE THE PURCHASERS OF SAUDI AND UAE OIL A SUBSTANTIAL WINDFALL PROFIT.

5. IF, IN FACT, HERNANDEZ-AIOSTA'S REPORT ACCURATELY RESLECTS THINKING OF OPEC MINISTERS, OPEC HAS FOR THE FIRST TIME IN RECENT HISTORY AGREED TO DISAGREE RATHER THAN TO REACH A CONSENSUS. CONSEQUENTLY, ALTHOUGH WE BELIEVE THAT HERNANDEZ-ACOSTA DID SAY THAT OPEC HAD AGREED TO TWO TIER PRICE SYSTEM, WE CONTINUE TO BELIEVE THAT THERE IS VERY REAL POSSIBILITY THAT A COMPROMISE WILL BE WORKED OUT AT SUBSEQUENT MEETING(S) IN DOHA.
PAGANELLI

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, MINISTERIAL MEETINGS, PRICES, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976DOHA01384
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760464-0493
From: DOHA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761234/aaaabddd.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 26 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 APR 2004 by BoyleJA>; APPROVED <02 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC MINISTERIAL MEETING: GENERAL THOUGHTS ON TWO TIER PRICE SYSTEM
TAGS: ENRG, QA, OPEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006